

KEY TAKEAWAYS

- Equity markets got off to a fast start in January with most major indices rising. The S&P 500 Index posted another month of positive total returns, the 15th month in a row.
- U.S. GDP grew by 2.6% in Q4, lower than the 3% consensus expectation. Consumer spending and business investment in equipment were both strong, however, inventory drawdown and net imports both weighed on growth.
- The 10-yr Treasury yield increased to 2.7%, its highest level since April 2014. Despite this increase the yield curve still remains relatively flat.
- International and Emerging Market equities continue to benefit from strong global economic growth. Further weakness in the U.S. dollar has also boosted returns for domestic investors.
- As expected, on January 25, the ECB announced that they would maintain current monetary policy. Mario Draghi, President of the ECB, said he sees “very few chances” that interest rates will be raised this year. Low rates and solid economic momentum should continue to be supportive for Euro area equities.
- Within the U.S., the Federal Reserve maintained the Federal Funds rate at current levels. The next meeting is scheduled to begin on March 20th.

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INDEX PERFORMANCE (as of 1/31/18)

Equity	January	Three-Month	One-Year
U.S. Large Cap	5.7%	10.2%	26.4%
U.S. Small Cap	2.6%	5.1%	17.2%
Developed Non-U.S.	5.0%	7.8%	27.6%
Emerging Market	8.3%	12.5%	41.0%
Real Assets			
Real Estate	1.2%	5.3%	16.1%
Commodities	2.0%	4.6%	3.6%
Natural Resource Equities	2.4%	9.9%	4.3%
Fixed Income			
<u>Core Plus</u>			
U.S. High Yield Debt	0.6%	0.6%	6.6%
Emerging Market Debt	4.5%	8.4%	17.7%
<u>Core Bonds</u>			
U.S. Aggregate Bonds	-1.2%	-0.8%	2.2%
U.S. Treasuries	-1.4%	1.2%	0.7%
U.S. Municipal Bonds	-0.6%	-0.9%	2.1%
Month-End Values/Yields	Current	Prior Month	One-Year Ago
CBOE Volatility Index	13.5	11.0	12.0
10-Year Treasury Yield	2.7%	2.4%	2.5%

Sources: Bloomberg, Morningstar, Bureau of Economic Analysis, Treasury.gov.

You cannot invest directly in an index; therefore, performance returns do not reflect any management fees. Returns of the indices include the reinvestment of all dividends and income, as reported by the commercial databases involved.

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